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SUBJECT: THE AMBASSADOR'S SEPTEMBER 28 MEETING WITH BRAZILIAN
MINISTER OF AGRICULTURE GUEDES

1. (SBU) SUMMARY: AMBASSADOR SOBEL, ACCOMPANIED BY EMBASSY AGRICULTURAL AND ECONOMIC COUNSELORS, MET WITH MINISTER OF AGRICULTURE LUIS CARLOS PINTO GUEDES ON SEPTEMBER 28 TO DISCUSS GENERAL AGRICULTURAL ISSUES. DISCUSSION CENTERED ON BRAZIL'S RAPID RISE AS A WORLD AGRICULTURAL EXPORT POWER, U.S. INTEREST IN RESTORING U.S. ACCESS TO BRAZIL'S CATTLE AND BEEF MARKETS (CURRENTLY LIMITED BY BSE-RELATED TECHNICAL RESTRICTIONS), APPROVAL OF GMO PRODUCTS, AND BIOFUELS. THE MINISTER SAID HIS STAFF IS OPEN TO TECHNICAL DISCUSSIONS ON BSE RESTRICTIONS CURRENTLY IN PLACE, BUT THERE SEEMED LITTLE PROMISE OF REMOVING THE BARRIERS SOON. THE MINISTER ALSO INDICATED THAT THEY ARE PRESSING THE MINISTRY OF FOREIGN AFFAIRS TO ELIMINATE A REQUIREMENT THAT ALL USDA OFFICIAL CERTIFICATES RELATED TO TRADE IN ANIMAL PRODUCTS BE STAMPED BY A CONSULAR OFFICIAL IN THE UNITED STATES, WHICH PUTS U.S. EXPORTERS AT A DISADVANTAGE. POST IS FOLLOWING UP WITH BOTH MINISTRIES. END SUMMARY.

BRAZIL'S AGRICULTURAL RESEARCH MACHINE: EMBRAPA

2. (SBU) AMBASSADOR SOBEL ASKED MINISTER GUEDES HOW BRAZIL WAS ABLE TO BUILD ITS ENORMOUS AGRICULTURAL PRODUCTION AND EXPORT CAPACITY IN SUCH A SHORT TIME, WHICH RESULTED IN ABOUT US \$35 BILLION IN WORLD EXPORTS IN 2005, A 130 PERCENT INCREASE SINCE 1999. MINISTER GUEDES NOTED FOUR REASONS FOR BRAZIL'S SUCCESS: 1)THE COUNTRY'S NATURAL COMPARATIVE ADVANTAGES IN AVAILABLE LAND, SOIL, AND CLIMATE; 2)ITS LARGE INVESTMENT IN AGRICULTURAL RESEARCH OVER THE PAST 30 YEARS; 3)PRESIDENT PUBLIC POLICIES, MAINLY IN TERMS OF LOW-COST AGRICULTURAL FINANCING; AND 4)THE FLEXIBILITY AND ENTREPRENEURSHIP OF RURAL PRODUCERS. THESE FOUR FACTORS, THE MINISTER SAID, WERE, AMONG OTHERS, WHY BRAZIL IS SUCH A LOW-COST PRODUCER, PARTICULARLY FOR SOYBEANS AND ORANGE JUICE.

3. (SBU) MINISTER GUEDES DESCRIBED EMBRAPA (THE BRAZILIAN AGRICULTURAL RESEARCH CORPORATION, A PART OF THE MINISTRY OF AGRICULTURE) AS ONE OF THE WORLD'S MAJOR AGRICULTURAL RESEARCH INSTITUTIONS. BRAZIL WAS ABLE TO OPEN UP THE CERRADOS REGION (THE HIGHLAND PLAINS IN THE WESTERN STATES OF GOIAS, MATO GROSSO, AND MATO GROSSO DO SUL) TO CULTIVATION, A FEAT FEW BELIEVED POSSIBLE, LARGELY AS A RESULT OF VARIETAL CROP RESEARCH DONE AT EMBRAPA. GUEDES NOTED THAT USAID GRANTS AND BILATERAL SCIENTIFIC EXCHANGE EFFORTS THAT PREDATED EMBRAPA HAD HELPED SPUR ALONG MUCH OF THE CERRADOS RESEARCH.

4. (SBU) THE AMBASSADOR INQUIRED ABOUT CURRENT BILATERAL EXCHANGE ON RESEARCH AND IF IT MIGHT BE POSSIBLE TO BUILD FURTHER RELATIONS BETWEEN BRAZILIAN AND U.S. RESEARCH LABS AND ACADEMIC INSTITUTIONS. THE MINISTER NOTED THAT SUCH BONDS HAVE BEEN STRONG SINCE THE 1960S, WITH BRAZILIAN INSTITUTES COOPERATING WITH U.S. COUNTERPARTS SUCH AS OHIO, PURDUE, AND WISCONSIN. THE MINISTER ALSO POINTED OUT THAT THROUGH IMPETUS OF THE U.S.-BRAZIL CONSULTATIVE COMMITTEE ON AGRICULTURE (CCA), ESTABLISHED IN 2004, USDA'S AGRICULTURAL RESEARCH SERVICE AND EMBRAPA HAVE EXCHANGED RESEARCHERS ON A LONG-TERM BASIS UNDER A PROGRAM CALLED LABEX, WITH THE AIM TO IMPROVE COOPERATION ON TECHNICAL ISSUES RELATED TO TRADE. WHILE PREVIOUSLY MUCH OF THE COOPERATION ON RESEARCH WAS PURSUANT TO FORMAL AGREEMENTS, CURRENTLY, HE SAID, IT WAS MORE OR LESS SPONTANEOUS. THE MINISTER LATER REFLECTED THAT THERE MIGHT BE SOME OPPORTUNITIES TO COOPERATE IN THE AREA OF TRAINING ADVANCED GRADUATE LEVEL UNIVERSITY STUDENTS.

ETHANOL RESEARCH

5. (SBU) REGARDING ETHANOL RESEARCH, WHICH IS APPARENTLY FULLY FUNDED IN BRAZIL BY THE PRIVATE SECTOR, ANGELO BRESSAN FILHO, DIRECTOR OF THE SECRETARIAT OF PRODUCTION AND AGROENERGY, MINISTRY OF AGRICULTURE, WHO IS THE MINISTRY'S LINK TO EMBRAPA, SPOKE ABOUT ONGOING RESEARCH INTO CELLULOSIC ETHANOL. CURRENTLY, INVESTIGATION WAS PROCEEDING ON TWO TRACKS, HE SAID. RESEARCHERS WERE LOOKING AT THE ENZYMATIC ROUTE, WHEREBY CELLULOSE IS CONVERTED INTO SUGAR AND THEN INTO ALCOHOL. THE CHEMICAL REACTION UNDERLYING THIS PROCESS, HOWEVER, HAS THE DISADVANTAGE OF BEING SLOW: 25 TO 30 MINUTES. AN ALTERNATIVE ROUTE, THE ACIDIC PROCESS, IS QUICKER: 5 TO 8 MINUTES. THE MINISTER NOTED THAT CELLULOSIC RESEARCH HOLDS GREAT PROMISE GIVEN THE VAST AMOUNT OF RESIDUE LEFT IN SUGAR CANE FIELDS AFTER HARVEST.

6. (SBU) ON ETHANOL, DISCUSSION CENTERED ON HOW BRAZIL PLANNED TO PARTNER WITH THIRD COUNTRIES TO HELP DEVELOP THE MARKET. THE AMBASSADOR INQUIRED WHETHER THE BRAZILIAN GOVERNMENT OR PRIVATE SECTOR WAS LOOKING TO OTHER COUNTRIES TO HELP SUPPLY SUGAR STOCKS.

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BRESSAN REPLIED NEGATIVELY, NOTING THAT BRAZILIAN PRODUCTION WAS EXPANDING RAPIDLY AND THE COUNTRY WAS OPENING 12-16 NEW REFINERIES PER YEAR. FROM THE MINISTRY'S POINT OF VIEW, HE SAID, WHERE THERE MIGHT BE SOME BRAZILIAN INVOLVEMENT OVERSEAS WOULD BE IF THE PRIVATE SECTOR WERE TO SUPPLY CONSULTANTS TO INTERESTED FOREIGN GROWERS. HE REVEALED THAT HE PLANNED TO TRAVEL TO GUATEMALA THE FOLLOWING WEEK AND THAT THERE IS CONTINUING INTEREST FROM INDIA.

APPROVAL OF GMO'S

17. (SBU) THE AMBASSADOR ASKED HOW GENETICALLY MODIFIED ORGANISMS ARE VIEWED IN BRAZIL. MINISTER GUEDES STATED THAT THERE IS FINALLY A FEDERAL FRAMEWORK IN PLACE FOR DEALING WITH GMO ISSUES. CTNBIO, A 27-MEMBER BODY IN WHICH 11 MINISTRIES PARTICIPATE, REGULATES THE FIELD. CTNBIO, CHAIRED BY THE MINISTRY OF SCIENCE AND TECHNOLOGY, HAS APPROVED 14 GMO REQUESTS FOR RESEARCH AND 8 FOR COMMERCIAL SALE (EACH REQUEST IS FOR A SINGLE GENE). CURRENTLY, 9 REQUESTS ARE PENDING, PRINCIPALLY FOR SOY, COTTON, AND CORN. ALTHOUGH STUDIES ON SUGAR ARE ONGOING, NO REQUESTS FOR SUGAR ARE PENDING. NOTWITHSTANDING THE FACT THAT EMBRAPA IS A GOVERNMENT ENTITY, IT ALSO NEEDS CTNBIO APPROVAL BEFORE PROCEEDING. THE MINISTER NOTED THAT THE ENVIRONMENTAL LOBBY, WHICH WORKS CLOSELY WITH THE MINISTRY OF THE ENVIRONMENT, HAS SOUGHT TO HINDER CTNBIO FROM MOVING FORWARD.

OUTSTANDING TRADE IRRITANTS REGARDING ANIMAL PRODUCTS

18. (SBU) THE AMBASSADOR RAISED U.S. INTEREST IN RESTORING ACCESS TO BRAZIL'S MARKETS FOR CERTAIN CATTLE AND BEEF PRODUCTS (BREEDING CATTLE, BONELESS BEEF AND CATTLE BLOOD), WHICH IS CURRENTLY LIMITED BY BSE-RELATED TECHNICAL RESTRICTIONS THAT THE U.S. VIEWS AS NOT SCIENCE-BASED. THIS MATTER WAS RAISED AT THE BILATERAL CONSULTATIVE COMMITTEE ON AGRICULTURE (CCA) IN 2005, THROUGH AN OFFICIAL U.S. DEMARCHE MADE TO THE MINISTRIES OF AGRICULTURE AND FOREIGN AFFAIRS IN APRIL, AND IN A FOLLOW-UP OFFICIAL LETTER FROM THE EMBASSY IN EARLY SEPTEMBER. THE MINISTER SMILED AND SAID THAT BRAZIL WOULD ALSO LIKE TO HAVE ACCESS TO THE U.S. MARKET FOR FRESH BEEF, THEN OFFERED THAT HIS STAFF MEET WITH USDA COUNTERPARTS FOR TECHNICAL DISCUSSIONS ON BSE RESTRICTIONS. IN A FOLLOW-UP MEETING, THE EMBASSY AGRICULTURAL COUNSELOR AND APHIS STAFF MET WITH THE INTERNATIONAL OFFICE OF THE MINISTRY OF AGRICULTURE; BOTH SIDES AGREED TO ARRANGE A BILATERAL TECHNICAL MEETING IN EARLY 2007.

19. (SBU) THE AMBASSADOR ALSO ASKED ABOUT THE STATUS OF BRAZIL'S EFFORTS TO ELIMINATE ITS ANTIQUATED REQUIREMENT THAT ALL USDA OFFICIAL DOCUMENTS RELATED TO EXPORTS OF U.S. ANIMAL PRODUCTS HAVE A CONSULAR STAMP FROM A BRAZILIAN CONSULATE IN THE UNITED STATES BEFORE ACTUAL SHIPMENTS CAN ENTER BRAZIL. THIS REQUIREMENT INCREASES RED TAPE AND COSTS AND, THEREBY, PUTS U.S. EXPORTERS AT A DISADVANTAGE. THE U.S. FIRST RAISED THIS ISSUE DURING THE FIRST MEETING OF THE CCA IN 2004 AND BRAZIL PROMISED RESOLUTION. A FORMAL LETTER FROM EX-MINISTER PRATINI DE MORAES TO FORMER U.S. SECRETARY VENEMAN ALSO PROMISED TO RESOLVE THE ISSUE. THE DECREE DATES FROM 1952. THE MINISTER SAID HIS STAFF WAS WAITING FOR A RESPONSE FROM THE MINISTRY OF FOREIGN AFFAIRS, THE MINISTRY THAT MUST TAKE ACTION. STEPS FOR A SOLUTION TO THIS ISSUE WERE EXPLORED IN THE FOLLOW-UP MEETING BETWEEN THE EMBASSY AGRICULTURAL COUNSELOR AND THE INTERNATIONAL OFFICE OF THE MINISTRY OF AGRICULTURE. MINISTRY STAFF REQUESTED THAT THE EMBASSY RAISE HIS ISSUE WITH THE MINISTRY OF FOREIGN AFFAIRS IN AN EFFORT TO ENCOURAGE A FAVORABLE LEGAL OPINION ON THIS ISSUE. A DIPLOMATIC NOTE IS BEING SENT FROM THE EMBASSY TO THE FOREIGN MINISTRY TO THIS END BUT MOVEMENT ON THIS OUTSTANDING TRADE ISSUE IS NOT EXPECTED UNTIL AFTER THE OCTOBER 29 PRESIDENTIAL ELECTIONS.

THIRD COUNTRY COOPERATION

10. (SBU) THE MINISTER OF AGRICULTURE RAISED WITH THE AMBASSADOR THE IDEA OF WORKING TOGETHER ON AGRICULTURAL RESEARCH IN AFRICA. HE SUGGESTED INVOLVING SELECT AFRICAN COUNTRIES, BRAZILIAN AGRICULTURAL RESEARCHERS, AND U.S. INTEREST GROUPS OR INSTITUTIONS. UNDER THE MINISTER'S PROPOSAL, THE U.S. WOULD SUPPORT BRAZILIAN TEACHING FELLOWSHIPS FOR BRAZILIAN DOCTORAL CANDIDATES IN LUSO-PHONE AFRICA. SUCH TRILATERAL COOPERATION, THE MINISTER DECLARED, WOULD BENEFIT BOTH BRAZIL AND THE U.S. AS WELL AS THE AFRICAN COUNTRIES INVOLVED. THE AMBASSADOR REPLIED THAT THE USG WAS ALREADY WORKING WITH THE MFA ON SIMILAR INITIATIVES FOR LUSO-PHONE AFRICA AND WE COULD PUT THE MINISTER'S SUGGESTIONS INTO THE MENU OF POSSIBILITIES.

SOBEL